RESPONSE TO THE AUDITOR GENERAL

RESPONSE TO THE AUDITOR GENERAL – OCTOBER 2009

The Auditor General reports twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's semiannual report titled *Report of the Auditor General of Alberta – October 2009* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Public Agencies – Executive Compensation	
1. Executive compensation practices We recommend that the Deputy Minister of Executive Council, through the Agency Governance Secretariat, assist public agencies and departments by providing guidance on executive compensation practices for all public agency senior executives.	**Accepted.** The Agency Governance Secretariat is working with Treasury Board and Corporate Human Resources to develop good practices in areas of CEO selection, evaluation and compensation. As these good practices are developed, the Secretariat will then provide general guidance on executive compensation practices for senior executives in public agencies. A work plan to implement this recommendation will be completed by the end of the 2009-10 fiscal year.
2. Disclosure of termination benefits paid We recommend that the Ministry of Treasury Board increase transparency of termination benefits by adopting disclosure practices for Alberta public agencies that disclose termination benefits paid.	**Under review.** This recommendation focuses on termination benefits, which is one component of compensation disclosure. Further to the government's response to the October 2008 Auditor General's recommendation for CEO compensation disclosure, the Ministry is reviewing the new private-sector compensation disclosure requirements, which include termination benefits, to determine their applicability to the public sector.
Alberta's Response to Climate Change	
3. Guidance to verifiers of facility baseline and compliance reports We recommend that the Department of Environment strengthen its baseline and compliance guidance for verifiers by improving the description of the requirements for: • the nature and extent of testing required • the content of verification reports • assurance competencies	**Accepted.** For the 2009 reporting cycle, the Department will revise guidelines for industry and verifiers. The Department will continue to address baseline and compliance issues and will also develop and clarify technical requirements, revise guidance documents and review best practices from other jurisdictions. The Department will continue to work with other government verification, accreditation and certification standards, and will consider adopting these standards as they become available.

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4. Use of offsets to meet compliance obligations We recommend that the Department of Environment: • strengthen its offset protocols to have sufficient assurance that offsets used for compliance are valid • assess the risk of offsets applied in Alberta having been used elsewhere in the world	**Accepted**. The Department will continue monitoring developments in national and international offset systems to ensure our system is consistent with best practices. The Department will also continue to identify registries and offset systems in other jurisdictions and work with them to find effective ways to reduce the risk of double counting.
5. Cost-effectiveness of regulatory processes We recommend that the Department of Environment assess the cost-effectiveness of the *Specified Gas Emitters Regulation*.	**Accepted**. The Department's review will determine if additional information is required to benchmark and assess the cost-effectiveness of the Province's regulatory processes. The Department will work with the regulated parties to understand the program's administrative costs to industry.
Electronic Health Records	
6. Oversight and accountability for electronic health records (EHR) We recommend that the Department of Health and Wellness and Alberta Health Services, working with the EHR Governance Committee, improve the oversight of electronic health record systems by: • maintaining an integrated delivery plan that aligns with the strategic plan • improving systems to regularly report costs, timelines, progress and outcomes	**Accepted**. Reporting of project costs, timelines, progress and outcomes is currently provided to various levels within the Department. During the current fiscal year, the Department plans to enhance reporting to appropriate groups.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
7. Project management We recommend the Department of Health and Wellness execute publicly funded electronic health record projects and initiatives in accordance with established project management standards.	**Accepted in Principle**. The Department and the majority of its stakeholders currently follow established project management standards such as the Project Management Book of Knowledge (PMBOK) while executing publicly funded electronic health record projects. However, under the current governance model used to develop the electronic health record, there may be health system stakeholders outside of the Department's direct control who manage their projects through alternative project management approaches. In these cases, the Department applies other controls documented in grant agreements such as quarterly financial and project status reporting to obtain the desired outcomes. In addition, the Department's approach includes the use of several documents that contain business case elements and the justification for undertaking different projects. Initiative project charters and delivery plans are guides to assist project teams in delivering the correct IT solutions that provides business and clinical value to the overall EHR initiative. The Department also actively manages project costs by comparing budget to actual costs in bi-weekly reports that are regularly reviewed by project teams, Department Executive Team, and various multi-stakeholder governance committees (Health Information Executive Committee, EHR Sponsors and Project Steering Committees).
8. Monitoring the EHR We recommend the Department of Health and Wellness proactively monitor access to the portal (Netcare), through which the electronic health records can be viewed, reviewing it for potential attacks, breaches and system anomalies.	**Accepted**. The Department, in cooperation with Alberta Health Services (AHS) and other stakeholder custodian representatives, will be implementing the Provincial Logging and Audit Standard during the current fiscal year. In addition, AHS is currently developing five audit reports identified in the Logging and Audit Standard.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Food Safety – Follow-up	
9. Food establishment inspection programs – recommendation repeated	
We again recommend that Alberta Health Services improve their food establishment inspection programs. Specifically, AHS should: • inspect food establishments following generally accepted inspection frequency standards • ensure that inspections are consistently administered and documented • follow up critical violations promptly to ensure that food establishments have corrected those violations	**Accepted**. The reorganization of Alberta Health Services (AHS) Environmental Public Health Function into a single provincial program has created a unifying structure to generate positive movement. AHS has committed to developing a three year plan for an effective and efficient service delivery model.
10. Food safety information systems – recommendation repeated	
We again recommend that Alberta Health Services, supported by the Department of Health and Wellness, improve their automated food safety information systems. This includes: • enhancing system management, security, and access control • ensuring data consistency • ensuring that service level agreements are in place • developing reporting capacity for management, and accountability purposes	**Accepted**. An environmental public health information system would serve the needs of all environmental public health programs, including food safety. As a result, Alberta Health and Wellness has hired a third party consultant to determine accountability and information system requirements. A business case will be developed so the request can be prioritized along with other needs.
11. Integrated food safety planning and activities – recommendation repeated	
We again recommend that the Departments of Health and Wellness and Agriculture and Rural Development, in cooperation with Alberta Health Services and federal regulators, improve planning and coordination of food safety activities and initiatives. This includes: • improving day-to-day coordination of provincial food safety activities • improving cooperation and working relationships among provincial and federal partners such as the First Nations and Inuit Health Branch and the Canadian Food Inspection Agency	**Accepted**. An inter-agency oversight committee of the Deputy Ministers of Alberta Agriculture and Rural Development, Alberta Health and Wellness and the CEO of Alberta Health Services has been developed to champion an action plan focused on integrated food safety planning and activities. In addition, members of the Canada-Alberta Partners in Food Safety (CAPiFS) are developing an Alberta Food Safety Strategy.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
12. Eliminating gaps in food safety inspection coverage – recommendation repeated We again recommend that Alberta Health Services and the Departments of Health and Wellness and Agriculture and Rural Development, working with federal regulators, eliminate the existing gaps in food safety coverage in Alberta. Gaps include: • mobile butchers • consistently administering the *Meat Facility Standard* • coordinating inspections in the "non-federally registered" sector	**Accepted in Principle**. Mobile butchers are now under the oversight of and inspection by Agriculture and Rural Development which reduces inspection overlap within the mobile butcher facilities. The two departments continue to work closely together to ensure all eligible facilities are transferred and that no inspection gaps exist. Coordination of inspections in the "non-federally registered" sector is national and inspections may not be able to be coordinated until certain issues and responsibility are clearly defined at the national level.
13. Accountability – recommendation repeated We again recommend that the Departments of Health and Wellness and Agriculture and Rural Development improve reporting on food safety in Alberta.	**Accepted**. Agriculture and Rural Development continues to review and improve its food safety measures in an effort to align them with the measurable outcomes of the National Strategy for Safe Food as well as align them with Alberta Health and Wellness (AHW) initiatives. The transition to Alberta Health Services as a single health services delivery organization will facilitate better reporting as reporting requirements are defined.
Commercial Vehicle Safety	
14. Progressive sanctions We recommend that the Department of Transportation strengthen enforcement processes relating to, or arising from, roadside inspections.	**Accepted**. For the 2009-10 fiscal year, enforcement letters to carriers have been revised indicating clear expectations regarding due dates and consequences of non-compliance. Further, the Department is in the process of reviewing the following procedural shifts: (i) roadside inspection follow-up procedures, (ii) serious incident and public complaint handling policy, and (iii) the effectiveness of publishing carrier and Commercial Vehicle Safety Alliance inspection data on the Department's internet site.
15. Analysis and measurement We recommend that the Department of Transportation further develop and improve its data analysis practices for use in program delivery and performance measure reporting.	**Accepted**. For the 2009-10 fiscal year, the Department is reviewing the programs associated with Commercial Vehicle Safety and is developing a plan to further improve its data analysis practices for use in performance reporting. The Department anticipates the plan will be completed in 2010-11.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Government of Alberta and Ministry Annual Reports	
16. Analysis and review of performance measures We recommend the Ministry of Treasury Board work with Ministries to improve processes at the ministry level relating to analysis and review of performance measures. We also recommend the Ministry of Treasury Board establish a protocol with ministries whereby it is informed of proposed changes by ministries to performance measures methodology in a timely manner.	**Accepted**. The Ministry of Treasury Board is working with ministries to implement practices and procedures for *Measuring Up 2009-10* to improve the analysis and review of performance measures and to keep Treasury Board informed of proposed changes to performance measures methodology in a timely manner.
Advanced Education and Technology	
17. Grant accountability We recommend that the Department of Advanced Education and Technology improve its processes for managing conditional grants.	**Accepted**. The Department has standardized the grant process for the Enrolment Planning Envelope and will be revising some of the guidelines and accountability processes for grants from the Access to Future Fund before the end of 2009-10 fiscal year.
18. University of Calgary – Improving executive compensation processes We recommend that the University of Calgary Board of Governors establish systems to guide all aspects of compensation, including timely negotiation and completion of employment contracts for senior executive positions.	**Accepted**. University management is establishing clear and prescribed processes relating to compensation decisions for its senior executive and internal communication requirements related to hiring. The work of management will be overseen by the Board of Governors' recently established Human Resources & Governance Committee and the process is expected to be completed by December 2009.
19. University of Calgary – Improve PeopleSoft security – recommendation repeated We again recommend that the University of Calgary improve controls in its PeopleSoft system by: • finalizing and implementing the security policy and security design document • ensuring that user access privileges are consistent with the user's business requirements and the security policy	**Accepted**. Action plans are in progress. Security Design documents will be finalized and presented to IT Senior Management for review by December 2009. A Segregation of Duties Matrix and Privileged User Audit are targeted to be complete by March 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Energy	
20. Bitumen valuation methodology implementation	
We recommend that the Department of Energy improve its monitoring of the implementation of the bitumen valuation methodology.	**Accepted**. The Department documented the operational processes to monitor the bitumen valuation methodology used by the oil sands operators when determining royalties due to the Province. This was completed in September 2009.
21. Sustaining the continued accuracy of the revenue forecast system	
We recommend that the Department of Energy improve the controls and documentation supporting the revenue forecast model to help ensure the continued accuracy of the forecast system.	**Accepted**. The Department is now including documentation about the processes for making changes to the forecast model, support for the assumptions made within the models, and the logic and reasoning around the assumptions. In addition, to track changes and improve controls, the models are being moved on to SharePoint. These changes will be complete by December 2009.
22. Corporate effective royalty rate	
We recommend that the Department of Energy monitor the impact of the change in the provincial average corporate effective royalty rate on the Department's accounts receivable and incentive programs.	**Accepted**. The impact is being monitored and will be reported to the Department's Executive Committee on a quarterly basis starting the second quarter of the current fiscal year.
Environment	
23. Financial security for land disturbances – recommendation repeated	
We again recommend that the Department of Environment implement a system for obtaining sufficient financial security to ensure parties complete the conservation and reclamation activity that the Department regulates.	**Accepted**. Restructuring the reclamation security policy will ensure that Albertans are not financially responsible for the cleanup of affected lands. The Department is actively engaged with industry to develop a system that will see better reclamation security coverage. The new policy is expected to be in place in 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Finance and Enterprise	
24. Alberta Treasury Branches – Organization-wide information technology oversight	
We recommend that Alberta Treasury Branches improve the efficiency and effectiveness of its computing environment by developing a process to ensure all ATB Business Units adopt and follow organization-wide Information Technology governance and control framework.	**Accepted**. Alberta Treasury Branches (ATB) has prioritized its work plan into a three-phase approach which includes implementing, testing and reviewing their IT control framework. It is expected the final phase will commence roll out to ATB business units by May 2010.
25. Alberta Treasury Branches – Process for confirming compliance with Alberta Finance and Enterprise guidelines – recommendation repeated	
We again recommend that Alberta Treasury Branches: • improve the processes for confirming its compliance with Alberta Finance and Enterprise's Outsourcing of Business Activities, Functions and Processes Guideline • review and assess the appropriateness of the ATB staff responsible for ensuring compliance with Alberta Finance and Enterprise guidelines	**Accepted**. Alberta Treasury Branches is on target for a December 2009 development of a materiality assessment of outsourcing relationships that need to comply with Alberta Finance and Enterprise "Outsourcing of Business Activities, Functions and Processes Guidelines".
26. Alberta Investment Management Corporation (AIMCo) – Valuation of private equity and hedge fund investments	
We recommend that AIMCo establish a process to estimate current market values for private and hedge fund investments.	**Accepted**. AIMCo has established a Valuations Committee with the responsibility of determining the fair value of securities and assets.
Health and Wellness	
27. Alberta Health Services – Executive termination payments	
We recommend that Alberta Health Services establish controls for executive termination payments by: • developing and implementing appropriate approval and oversight processes • clearly defining termination and post-termination benefits in employment contracts • including future termination benefits in the salary and benefit disclosure in the financial statements	**Accepted**. Alberta Health Services (AHS) has implemented an approval and oversight process to ensure compliance with severance guidelines. AHS has also developed a standard employment contract that clearly defines termination and post-termination benefits. **Under Review**. The recommendation on termination benefits is under review pursuant to the government's response to numbered recommendation No. 2, "Disclosure of Termination Benefits Paid".

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
28. Alberta Health Services – Supplementary retirement plans	
We recommend that Alberta Health Services review existing supplementary retirement plans and: • understand the terms and conditions for each plan • develop clear and consistent policies and processes for administering them • obtain actuarial valuations, using appropriate and consistent assumptions, for the plans • understand the impact of funding options • ensure sufficient funds are available to meet plan obligations	**Accepted**. Alberta Health Services has retained the services of a firm to review supplementary retirement plans and to provide options for a single new plan that will ensure a consistent retirement benefit plan across the province. During the 2009-10 fiscal year, policies and funding arrangements will be put in place prior to the introduction of a new plan.
29. Alberta Health Services – Information technology control policies and processes	
We recommend that Alberta Health Services: • develop an information technology control framework, including appropriate risk management processes and controls, for the management of its information technology resources • monitor compliance with security policies, implementing effective change management processes and improving passwords controls	**Accepted**. Alberta Health Services (AHS) has hired a third party expert to perform an overall evaluation of the level of current and planned network and information security capabilities. AHS will perform a risk assessment in the 2010-11 fiscal year to determine an appropriate risk mitigation strategy.
30. Alberta Health Services – Budget approval	
We recommend that Alberta Health Services prepare an annual business and financial plan and that this plan be approved by its Board.	**Accepted**. Financial and business plans have been prepared and approved by the Alberta Health Services Board for the 2009-10 fiscal year.
31. Alberta Health Services – Capital project funding and approval	
We recommend that Alberta Health Services: • obtain appropriate approval from the Minister of Health and Wellness and secure adequate capital funding before starting capital projects that are internally funded or debt financed • ensure budgets include the estimated future operating costs associated with new capital	**Accepted**. Alberta Health Services (AHS) is currently developing global, consistent processes and controls that will govern all AHS capital expenditures. It is anticipated that these processes will be initiated in the 2011-12 fiscal year.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
32. Alberta Health Services – Capital project monitoring systems	
We recommend that Alberta Health Services improve the efficiency and effectiveness of its financial capital project monitoring and reporting systems and processes by: • implementing common systems, policies and procedures to track and monitor key financial information • providing relevant, timely and accurate information to Executive Management and the Audit and Finance Committee	**Accepted**. Alberta Health Services (AHS) is investigating a Portfolio Project Management System which would centralize and automate processes related to the development and construction of infrastructure assets. AHS is also developing a single general ledger which will include an automated procurement module. It is anticipated that these activities will be completed in the 2010-11 fiscal year.
Justice and Attorney General	
33. Motor vehicle accident program – Clarifying collection steps	
We recommend that the Department of Justice clarify the collection steps for judgments assigned to it under the Motor Vehicle Accident program.	**Accepted**. The collection file and notes will include documentation of all collection steps taken. A checklist will be used to aid in this process and attached to the file for audit purposes. The Department is reviewing its current write-off policy with the intention of accelerating the closure of judgment files where collection is unlikely. This review is expected to be completed by December 2009.
Municipal Affairs	
34. Disaster Recovery Program	
We recommend that the Department of Municipal Affairs improve its management of the disaster recovery program by: • setting timelines for key steps that must be performed before federal government funding can be received • periodically assessing and adjusting costs and recovery estimates based on current information	**Accepted**. To meet federal government deadlines, the Department revised the application process so a letter is sent to the federal government for all Alberta disaster recovery programs that may qualify for federal disaster assistance. The cost and recovery estimates of funds requested from the Disaster Recovery Program are being assessed to ensure they are reasonable, and if required, they will be adjusted by March 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Service Alberta	
35. Information technology resumption plan We recommend that the Ministry of Service Alberta complete and test an information technology resumption plan.	**Accepted**. The Department will develop and test all key areas of the technical environment on a rotating schedule starting in December 2009.

RESPONSE TO THE AUDITOR GENERAL – APRIL 2009

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AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
1. Improve processes for investing in research projects	
We recommend the University of Lethbridge: • strengthen processes for assessing risks and benefits relating to prospective business relationships • strengthen processes to oversee and monitor financial and other risks throughout the life of business relationships • periodically report to the Board of Governors key information on financial and other risks in research management	**Accepted**. For any future business relationships, university management will provide the Board of Governors with a detailed business case. Management will provide regular progress reports to the Board, along with any new developments.
Sustainable Resource Development	
2. Performance information	
We again recommend that the Department of Sustainable Resource Development publicly report relevant and sufficient reforestation performance information to confirm the effectiveness of its regulatory systems.	**Accepted**. Through the annual reporting and business planning process, the Department has initiated several steps to fully address this recommendation by September 2011.